

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NORTH DAKOTA

In re:

DRAIN SERVICES, INC.,

Debtor.

Case No. 23-30352
Chapter 11

**UNITED STATES' (IRS) CONDITIONAL
OBJECTION TO MOTION FOR LEAVE TO
USE CASH COLLATERAL**

The United States of America, by Mac Schneider, United States Attorney for the District of North Dakota, and Kent Rockstad, Assistant United States Attorney, on behalf of the Department of the Treasury, Internal Revenue Service, (IRS) (United States) conditionally objects to the Debtor's Motion for Leave to Use of Cash Collateral dated October 2, 2023 (Motion). (Doc. 8).

Background

The Debtor owes a federal tax debt and all or a portion of the unpaid federal tax is secured with federal tax lien. The Debtor brought a Motion for Leave to Use Cash Collateral. (Doc. 8). The property described in the Debtor's Motion is encumbered by the federal tax lien. 26 U.S.C. § 6321.

The Court held a preliminary hearing on October 6, 2023. At the hearing, the Debtor agreed to grant replacement liens to the United States (SBA and IRS) and Choice Financial Group. The Court entered its Order Granting Interim Relief on Motion for Leave to Use Cash Collateral (Order). (Doc. 33). The Order authorized the use of up to \$20,000, and it provided the United States and Choice Financial Group with replacement liens against the Debtor's post-petition cash.

Conditional Objection

At the final hearing stage, the Debtor presumably seeks authority to use cash collateral in excess of the \$20,000.00 it was authorized to use following the preliminary hearing. The United States submits that the Debtor's continued use of cash collateral should be subject to the same conditions that applied to the Debtor's use of the first \$20,000. The United States consents to Debtor's continued use of cash collateral so long as its use is conditioned on an immediate grant and perfection of replacement liens in post-petition cash. To the extent the Debtor opposes the granting of replacement liens in post-petition cash, the United States objects.

Under the facts of this case, the equity cushion is not certain; it is speculative and substantially contingent upon the collectability of accounts receivable. Equity cushion alone does not adequately protect the federal tax lien interest held by the United States.

Dated: October 13, 2023

MAC SCHNEIDER
United States Attorney

By: /s/ Kent Rockstad
KENT ROCKSTAD
Assistant United States Attorney
ND Bar ID 05434
655 First Avenue North, Suite 250
Fargo, ND 58102-4932
(701) 297-7400
kent.rockstad@usdoj.gov
Attorney for United States

CERTIFICATE OF SERVICE

I hereby certify that on October 13, 2023, the **UNITED STATES' (IRS) CONDITIONAL OBJECTION TO MOTION FOR LEAVE TO USE CASH COLLATERAL** was filed electronically with the Clerk of Court through ECF, and that ECF will send a Notice of Electronic Filing (NEF) to the following:

Thomas Kapusta
tkapusta@aol.com

Tracy A. Kennedy on behalf of Creditor Choice Financial Group
tracykennedy@northdakotalaw.net, brendadipersio@northdakotalaw.net

Robert B. Raschke
USTPRegion12.SX.ECF@usdoj.gov

John D. Schroeder on behalf of Creditor Choice Financial Group
jschroeder@northdakotalaw.net, karensyrstad@northdakotalaw.net

Maurice VerStandig on behalf of Debtor Drain Services Inc.
mac@mbvesq.com, mac@dakotabankruptcy.com;
verstandig.mauricer104982@notify.bestcase.com; verstandiglaw@recap.email

Sarah J. Wencil on behalf of U.S. Trustee Robert B. Raschke
sarah.j.wencil@usdoj.gov



Margo M. Kern, Secretary
Office of the United States Attorney